

EDMONDS SCHOOL DISTRICT NO. 15
Snohomish County, Washington
Special Audit
September 7, 1995 Through April 17, 1996

Schedule Of Findings

1. Public Funds Were Misappropriated

Our audit of the financial activities associated with three student field trips at Meadowdale Middle School revealed that at least \$742.16 in public funds was misappropriated by a teacher during the period September 7, 1995, through April 17, 1996. There were no federal funds involved in this case. These funds were misappropriated as described below.

A teacher took the proceeds from three student field trips. The teacher was solely responsible for all aspects of these field trips.

- a. She sent letters to parents requesting them to submit funds for the field trips directly to her. All checks were to be made payable in her name. Amounts collected were then deposited directly into her personal bank account.
- b. Student admission charges incurred during the field trips were generally paid for by the teacher and were not accounted for in the district's accounting records.
- c. Transportation costs associated with two of the field trips were paid for by the district and then subsequently reimbursed by the teacher. If proceeds collected from students had been deposited with the school's office manager, these proceeds would have been used to pay the transportation costs.

These accounting procedures were contrary to Meadowdale Middle School policies. After considering the teacher's payments to vendors and reimbursements to the district for transportation costs, the amount collected from parents exceeded the actual cost of the field trips. As a result, the teacher was accountable for at least \$742.16 that was not subsequently deposited with the school's office manager.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer.

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not

entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses allowed a teacher to conceal these losses without being detected by district officials. Meadowdale Middle School did not adequately monitor the following financial activities associated with student field trips:

- a. Financial procedures at Meadowdale Middle School required specific approval of the principal or vice principal for money to be collected from students and required funds to be deposited in the office on a daily basis. Approval forms were prepared for the above field trips which identified the number of participating students and the amount to be collected from each one. However, district officials did not subsequently determine if approved collections from students were actually deposited with the school's office manager as required.
- b. School officials did not enforce procedures requiring the daily deposit of funds collected from students.
- c. The school accepted personal checks from the teacher when she reimbursed them for actual transportation costs for the field trips instead of requiring the daily deposit of funds collected from students.

Edmonds School District has a personnel dishonesty bonding policy for all employees. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

We recommend Edmonds School District seek recovery of the misappropriated \$742.16 and related audit/investigation costs from the teacher. We further recommend the Washington State Office of the Attorney General and the Snohomish County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

We also recommend the district:

- a. Review overall accounting controls over student field trips, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure the protection of public assets.

- b. Notify the insurance bonding company of this loss of funds, if appropriate.